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NAVAL  
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SCHOOL

MONTEREY, CALIFORNIA

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**MBA PROFESSIONAL REPORT**

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**A Strategic Market Analysis  
of the Open Market Corridor**

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**By: John H. Clark, III  
Joshua L. Tucker  
June, 2003**

**Advisors: Ron Tudor  
Rodney E. Tudor**

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**A STRATEGIC MARKET ANALYSIS OF THE OPEN MARKET CORRIDOR**

John H. Clark, III, Lieutenant Commander, United States Navy

Joshua L. Tucker, Lieutenant, United States Navy

Submitted in partial fulfillment of the requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

from the

**NAVAL POSTGRADUATE SCHOOL**

**June 2003**

Authors:

---

John H. Clark, III

---

Joshua L. Tucker

Approved by:

---

Ron Tudor  
Lead Advisor

---

Rodney E. Tudor  
Support Advisor

---

Douglas A. Brook, Dean  
Graduate School of Business and Public Policy

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# **A STRATEGIC MARKET ANALYSIS OF THE OPEN MARKET CORRIDOR**

## **ABSTRACT**

The purpose of the MBA Project was to perform an analysis of the market and environment of Government and commercial e-commerce opportunities in order to identify key stakeholders, critical issues, and an overall marketing strategy for the Open Market Corridor. Through comprehensive literature review and information gathering, a focused analysis of a specific potential customer, Naval Supply Systems Command (NAVSUP), is conducted to highlight the threats and opportunities to the system.



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## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>A.</b>	<b>PURPOSE.....</b>	<b>1</b>
<b>B.</b>	<b>BACKGROUND.....</b>	<b>1</b>
<b>C.</b>	<b>PROJECT OBJECTIVE.....</b>	<b>3</b>
<b>D.</b>	<b>SCOPE.....</b>	<b>3</b>
<b>E.</b>	<b>METHODOLOGY.....</b>	<b>4</b>
<b>F.</b>	<b>ORGANIZATION OF STUDY.....</b>	<b>4</b>
<b>II.</b>	<b>STRATEGIC MARKET ANALYSIS.....</b>	<b>5</b>
<b>A.</b>	<b>MARKET RESEARCH.....</b>	<b>5</b>
1.	Commercial Competition.....	6
2.	E-Bay Model.....	8
3.	Government Competition.....	10
4.	Potential Markets.....	11
<b>B.</b>	<b>STRATEGIC ANALYSIS.....</b>	<b>12</b>
1.	Stakeholder Analysis.....	12
a.	<i>Assistant Secretary of the Navy for Research, Development and Acquisition.....</i>	<i>16</i>
b.	<i>Naval Supply Systems Command (NAVSUP).....</i>	<i>18</i>
c.	<i>Congress.....</i>	<i>18</i>
d.	<i>Small Business Administration (SBA).....</i>	<i>19</i>
e.	<i>Deputy Assistant Secretary of the Navy for Acquisition Management DASN(Acq).....</i>	<i>20</i>
f.	<i>Electronic Business Initiatives Office (EBIO).....</i>	<i>21</i>
g.	<i>General Accounting Office (GAO).....</i>	<i>22</i>
h.	<i>End Users.....</i>	<i>23</i>
2.	Strengths, Weaknesses, Opportunities and Threats (S.W.O.T.) Analysis.....	24
a.	<i>Strengths.....</i>	<i>24</i>
b.	<i>Weaknesses.....</i>	<i>26</i>
c.	<i>Opportunities.....</i>	<i>27</i>
d.	<i>Threats.....</i>	<i>28</i>
3.	S.W.O.T. Matrix.....	29
<b>C.</b>	<b>TARGET MARKET.....</b>	<b>29</b>
1.	Demographic Characteristics.....	30
2.	Geographic Characteristics.....	31
3.	Psychographic Characteristics.....	32
4.	Basic Needs and Benefits Sought.....	34
5.	Transformation.....	36
<b>D.</b>	<b>MARKETING MIX.....</b>	<b>37</b>
1.	Product.....	37

2.	Pricing .....	38
3.	Distribution and Channeling .....	39
4.	Promotion .....	40
a.	<i>Product Positioning</i> .....	42
b.	<i>Communication Mix</i> .....	44
c.	<i>Publicity Objectives</i> .....	46
d.	<i>Publicity Campaign</i> .....	46
e.	<i>Personal-Selling Objective</i> .....	46
III.	CONCLUSIONS AND RECOMMENDATIONS .....	47
A.	OVERVIEW .....	47
B.	CONCLUSIONS .....	47
C.	RECOMMENDATIONS .....	48
D.	SUGGESTED AREAS FOR FURTHER RESEARCH .....	50
	LIST OF REFERENCES .....	51
	INITIAL DISTRIBUTION LIST .....	55

## LIST OF FIGURES

Figure 1.	Stakeholder Threat Matrix. ....	13
Figure 2.	Strengths, Weaknesses, Opportunities and Threats in the SWOT Matrix. ....	29
Figure 3.	The Growth Phase of the Product Life Cycle (After: Harrison, 2002). ....	38
Figure 4.	Responsible Gatekeepers and Middlemen. ....	40
Figure 5.	Product Positioning (After: Perreault, 2002). ....	43

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## LIST OF TABLES

Table 1.	Various Commercial Website Characteristics. ....	9
Table 2.	List of Stakeholders. ....	12

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## **I. INTRODUCTION**

### **A. PURPOSE**

The purpose of this MBA Project is to perform a strategic marketing analysis for the Open Market Corridor (OMC) in order to identify key stakeholders and areas of system strength and weakness. Through comprehensive literature review and information gathering, a focused analysis of a specific potential customer, Naval Supply Systems Command (NAVSUP), is conducted to highlight the threats and opportunities to the system.

### **B. BACKGROUND**

Today's acquisition workforce is an organization rich with resilient professionals whose mission, though simple on the surface, is complex and challenged by constant change and the often-conflicting standards of mission, culture, and environment. The mission of the workforce continues to focus on matching mission needs to products and services. However, as Congressional pressures mount to address escalating costs and a "do more with less" mentality, ensuring full and open competition to the maximum extent practical may soon become secondary to obtaining the "best value" for the Government's money. Regardless, acquisition planning and strategy, cost projection, budget presentation and authorization must all remain a fundamental part of the workforce mission.

The acquisition culture is on the verge of a serious shift in the age and corresponding experience of its respective professionals. By 2005, over half of the workforce will be eligible for retirement. The expected loss of experienced procurement professionals from the workforce is exacerbated by pending legislation that seeks to slice an additional 13,000 acquisition workforce members from the Government's payrolls, despite an increased workload of oversight and judgment application. In addition, talk of another round of base closures adds to the uncertainty of workforce members. This lack of job security, especially in light of a potential Base Realignment and Closure (BRAC) round and A-76 studies, does little to help an organizational culture that is still reeling from a flurry of Congressional legislation at the end of the 20<sup>th</sup> century.



Concomitant with the acquisition workforce's changes, the defense industrial environment has experienced a radical change from the ethically depressed, self-serving organizations of the early eighties. Shrinking defense budgets have ushered in a smaller oligopoly, and accordingly, decreased Government leverage to effectively minimize cost and subsequent prices. Defense contractors have diversified plant operations and altered mission statements in search of greater return on investment (ROI) and true partnerships with the Government.

The Federal acquisition workforce is changing and there is a growing sense that the Federal Acquisition System must become smarter, better, and faster to keep pace with a shrinking workforce and the rapid technological leaps being realized today.

To address these trends, the Federal Acquisition Regulation (FAR), in its statement of guiding principles, explicitly states four features of the Federal Acquisition System. These four features are as follows:

- Satisfy the customer in cost, quality and timeliness
- Minimize administrative costs
- Conduct business with integrity, fairness, and openness
- Fulfill public policy objectives (FAR 1.102).

An additional policy is in FAR 1.104 which states: "Agencies may exercise broad discretion in selecting the hardware and software that will be used in conducting electronic commerce." Moreover, agencies shall "[E]nsure that systems, technologies, procedures, and processes used by the agency to conduct electronic commerce --

- (1) To the maximum extent practicable;
- (2) Consider existing infrastructures;
- (3) Facilitate access to Government acquisition opportunities by small business concerns, small disadvantaged business concerns, and women-owned small business concerns;
- (4) *Include a single means of providing widespread public notice of acquisition opportunities through the Governmentwide point of entry and a means of responding to notices or solicitations electronically; and*

- (5) Comply with nationally and internationally recognized standards that broaden interoperability and ease the electronic interchange of information, such as standards established by the National Institute of Standards and Technology (FAR 4.502).

The challenges of the aging acquisition workforce, the requirements of the statutory requirements within the acquisition domain, and the shrinking of the defense acquisition vendor base all create the need for new systems and the knowledge to adequately leverage them.

#### **C. PROJECT OBJECTIVE**

In response to the needs of the workforce and mandates of the FAR, the Naval Postgraduate School (NPS) conceived a revolutionary and superlative acquisition system. This system, the Open Market Corridor (OMC), addresses these needs and offers the potential to fulfill ALL the goals of the Federal procurement system. A strategic marketing assessment for the OMC, with specific application to the Naval Supply Systems Command, is the subject of this study. The goal is to assess the current commercial and government market, develop and analyze a list of key stakeholders, identify the strengths, weaknesses, opportunities, and threats of the system, and to develop a marketing prototype plan with Naval Supply Systems Command used as the model customer.

#### **D. SCOPE**

This MBA Project is a strategic marketing analysis. The effort is directed at conducting market research on competitive systems, in both the commercial and Government sectors, to the OMC. A literature review and opinions of key Government representatives involved in the Federal acquisition environment augment the study. This project does not provide a finalized marketing plan for every customer; rather, it provides an internal and external environmental analysis of the OMC, and provides a marketing plan as a template for Naval Supply Systems Command for future studies.

Specifically, the MBA Project: (1) reviews the conditions of the Federal acquisition environment; (2) develops and analyzes a list of critical stakeholders to the OMC; (3) develops and analyzes a list of OMC strengths, weaknesses and threats; (4)

develops strategies for addressing the interests of the key stakeholders, as they relate to the Open Market Corridor; (5) develops a marketing plan for Naval Supply Systems Command; and (6) identifies areas for continuing and future research.

#### **E. METHODOLOGY**

This MBA Project is a strategic marketing assessment for the OMC with specific application to the Naval Supply Systems Command. It includes identification of commonalities in marketplace competitors, an assessment of high and low risk strategic issues to key stakeholders in the Federal acquisition environment, and a presentation of a directed marketing plan that capitalizes on the strengths, while mitigating the negative effects of inherent system weaknesses. A comprehensive literature review of books, magazine articles, Internet material, Government reports, CD-ROM systems and other information sources provides a description of the acquisition environment as it relates to e-commerce systems. A review of the OMC system provides a description of the system capabilities and vulnerabilities.

#### **F. ORGANIZATION OF STUDY**

Following this introductory chapter, Chapter II provides background information on the Federal acquisition system and the working environment. It also provides an analysis of the commercial and government e-commerce markets. Additionally, it examines the key stakeholders of the OMC and provides strategies for coping with the interests of these organizations. A Strengths, Weaknesses, Opportunities, and Threats (S.W.O.T.) analysis is developed. Finally, a focused marketing plan is designed to promote the OMC to Naval Supply Systems Command. Chapter III includes the conclusions and recommendations of the MBA Project. It addresses topics for additional research.

## **II. STRATEGIC MARKET ANALYSIS**

### **A. MARKET RESEARCH**

Market research: collecting, analyzing, storing, disseminating and utilizing information about the capabilities within the marketplace.

The growth of the Internet, and the information exchanges it facilitates, is matched by the growth and interdependence of the global economy. In a continuous effort to maximize profits and market share, while simultaneously minimizing costs, American companies are discovering that some of the best strategic alliances are somewhere south of the border or, in many cases, on the other side of the world. Indeed, by marginalizing various costs across hundreds or even thousands of production and/or delivery schedules, companies can realize superlative unit cost and associated profit structures.

The same is true of the Government and its promotion of the OMC. A multitude of alliances and associations must be reviewed, as well as how, where, and when the system shall be employed. More specifically, significant market research is a fundamental necessity in ensuring the success of the system. Market research is also an area that is not practiced in the Federal government to the same extent that it is in the private sector (Welch, p. 20). By researching and further identifying the aggregate factors affecting the IT arena, as well as the customers most likely affected by that arena, OMC administrators can both capitalize on emerging technologies and continue satisfying an even larger percentage of the electronic marketplace [Governmental and non-Governmental organizations (NGO's)]. Consequently, market research for the OMC should focus on potential "gatekeepers," those personnel with the political, financial, and technological muscle to implement the system; current electronic storefronts (commercial and Government-run sites); and contemporary or emergent Internet technology (hardware and software applications).

Naval Supply Systems Command (NAVSUP) is the Navy's major claimant for logistics resources and readiness. "A principal source of readiness for U.S. Naval Forces,

NAVSUP's diverse team delivers information, material, services and the quality of life products our Naval Forces need” ([http://www.navsup.navy.mil/our\\_team/index.jsp](http://www.navsup.navy.mil/our_team/index.jsp)). As such, NAVSUP is both an integrator of systems and an end user of the same. Furthermore, NAVSUP is responsible for both contract award and contract maintenance. Consequently, NAVSUP is the primary target market, with the added expectation of supplementary contract awards at the intermediate contracting level, Fleet Industrial Supply Centers (FISC).

Government integration of the contract-heavy and technologically based OMC requires acute attentiveness to the current electronic marketplace. Compounding this already complex arena are numerous regulatory issues, ever-changing political, legal, and cultural trends, and, ironically, the ability to obtain *initial* and sustained funding (for a system that has the potential to save the Government millions of dollars).

### **1. Commercial Competition**

The electronic marketplace (i.e., the Internet and the electronic commerce it facilitates) has reflected a general “settling out” over the last three years. The recent failures of a plethora of companies maintaining a primary internet-based operation have reshaped the initial Internet business model(s). Gone are the days of virtually unlimited venture capitalist funding. Indeed, the economic implosion of virtual companies, often referred to as the “dot-com, dot-bomb” transition, has, ironically, fueled the traffic and resultant revenue for a handful of true Internet “marketplace marketers.”

Amazon.com, despite horrifically low profit returns, has continued to flourish. Amazon.com CEO, Jeff Bezos, initially considered a genius (when Amazon.com stock was selling for \$113, is now facing a depressed economy, skyrocketing inventory holding costs, and a competitive marketplace that is constantly in a dynamic state of change. With a relatively low barrier to entry, almost anyone can start an online business. However, as was previously suggested, market *entry* does not guarantee market *success*. Accordingly, when faced with a paradoxically successful business model, and a rather amorphous market medium, Jeff Bezos and Amazon.com have taken a market “threat” and skillfully honed it into an opportunistic asset: by taking the “virtual marketplace”

model and effectively licensing it to John and Jane Doe of Any Town U.S.A. through its Z-Shops. Amazon.com has used its Z-shop concept to significantly increase recurring revenue, without increasing warehouse space, delivery routes, or vendor participation.

The Z-Shop concept allows almost any retailer to piggyback onto the Amazon.com moniker and, more importantly, its phenomenal traffic throughput (the number of unique people visiting the site). Hobbies, collections, and small-to-medium-sized businesses have made the move from retailer to “*e-tailer*” with nothing more than a personal computer, modem, and a merchant banking account.

For the use of the Amazon.com portal, Z-Shop “e-tailers”, the equivalent of modern-day “Mom-and-Pop” corner stores, pay Amazon a small but (aggregately) lucrative fee; in the end, Amazon.com is a marketer of a marketplace. They have done for merchandising what the NASDAQ and NYSE have done for bonds, T-bills, and other securities.

However, Amazon.com, despite its name brand recognition, is not alone in the electronic marketing of the ubiquitous marketplace facilitated by the Internet. Other similar companies include:

- |              |                                |
|--------------|--------------------------------|
| • Buy.com    | • Barnes and Noble (BandN.com) |
| • Yahoo.com  | • Borders.com                  |
| • Google.com | • E-Bay.com                    |

Buy.com has focused on the tech and “gadget” industry, while Borders and Barnes & Noble remained relatively close to their “brick-and-mortar” roots of marketing and selling books. Though simple and perhaps no longer overtly marketing the E-marketplace itself, each of these companies is in the business of bringing together seller and purchaser, spender and merchant, buyer and business through the Internet. Yahoo.com and Google.com, for example are both excellent search engines. However, both companies also overtly market specific search-engine results to the website visitor. Indeed, the untrained and impatient web surfer may mistake either company for an objective source of information. On the contrary; both sites offer prime web space to sponsors who are willing and able to spend significant advertising fees... again,

effectively marketing a marketplace. This is a subtle change in how the Internet is used. The focus has become to provide some type of “service” to the E-Customer and leverage the that service into advertising revenue.

## **2. E-Bay Model**

Ebay.com has proven to be the most lucrative and promising of all the virtual marketplaces. Unlike Amazon.com, Barnes & Noble.com, and Borders.com, E-Bay is a pure *vendor* marketplace, and, as such, it is the premier business model to be emulated by OMC administrators. Indeed, a visit to E-Bay.com affords the everyday shopper an immediate ability to locate and purchase every legal and quasi-legal item from aardvark art to Zulu baskets from Africa. Most interesting, though, is the fact that Ebay.com maintains only the website and, effectively, the marketplace. Yet, Ebay.com net profit for fourth quarter 2002 was a whopping \$87 million, a 235% increase from the previous year, *in a severely depressed economy*.

According to Ebay.com CEO, Meg Whitman, the success of Ebay.com goes “hand in hand with the success of our vibrant community of users. The strength of our community, the growth of e-commerce, and our commitment to business excellence...” (<http://www.shareholder.com/ebay/news/20030116-99663.htm>). (In comparison, the Federal Acquisition Workforce reflects many of the same characteristics: strength of a small but committed community; a strong sense of commitment to business and logistical support excellence; and a growing reliance, if not outright *dependence*, on electronic data interchanges and commerce.)

On Ebay.com, the respective items for sale (or bid) are, for the most part, the responsibility of “both” buyer and seller, although Ebay.com does maintain some inherent responsibilities with regard to policing the site to ensure all vendors comply with all terms of the user agreement. Items depicting hate, racism, fanaticism, or other inappropriate material for example, are not allowed to be sold.

And, with a host of technologically sound and Internet-savvy entrepreneurs becoming increasingly comfortable with setting up shop online, both Amazon’s Z-shops and Ebay.com are bucking the economic trend and expecting growth in operating revenue.

However, the marketplace market is not quite the parallel bazaar for every product. Ironically, the Ebay.com much-touted, used-book website, www.Half.com, is scheduled to be taken off line next year. Books, a perennial favorite among gift givers and internet junkies alike, are best sold new (much to the delight of online retailers Barnes & Noble, Borders, and Amazon.com, each of whom are jostling for market share online and, in the case of the former two, within the brick-and-mortar environment).

Consequently, when considering Internet merchandising, it appears product *type* matters as much as *brand*, *delivery*, and *price*. For the OMC, such characteristics are integral to the system's flexibility and procurement applicability. By affording end users and administrators the ability to prioritize, choose, and receive relative selections based on price, delivery method, brand, past performance information, and other characteristics, the OMC provides synergistic product value. Moreover, the ability to select products based on delivery, brand, price, and other characteristics is already in use in the commercial sector, albeit not at a single portal, as illustrated in the following table.

<b>Company Website</b>	<b>Allows Users to Select Delivery Method</b>	<b>Allows Users to Rate Website</b>	<b>Allows Users to Rate Product</b>	<b>Maintains a Product Inventory</b>
Buy.com	x	x		
Amazon.com	x		x	x
Cnet.com		x	x	
Ebay.com	x	x	x	

Table 1. Various Commercial Website Characteristics.

Commercially successful and proven ventures, the above-listed companies have all capitalized on the highly demanded niche of providing a relatively simple virtual marketplace. And, although each company continues to do well in a sluggish economy, it may not be long before one or all of the listed e-tailers access, realize, and capitalize on the potentially lucrative Government procurement superstructure. If these commercially successful "marketplace marketers" do, indeed, attempt to penetrate the Federal Government archetype, they will face considerable political and cultural resistance from OMC's other formidable competition, the General Services Administration (GSA).



### **3. Government Competition**

The General Services Administration (GSA) is the lead government agency for the purchasing and disposal of non-excess supplies as directed by the Federal Property and Administrative Services Act of 1949, 40 United States Code 481(c). Additionally, GSA has described an ancillary strategic function to “prescribe policies to promote the maximum utilization of excess property by executive agencies” ([www.gsa.gov](http://www.gsa.gov)). GSA delegated responsibility for disposal and depot-level repairables (DLR) to the Defense Logistics Agency (DLA) under the auspices of The Disposal Reutilization Management Office (DRMO). Federal Supply Schedules (FSS) are available for use by every Federal Government agency. GSA, through their Federal Supply Schedules, generated sales of over 4.2 billion dollars in fiscal year 2000, representing 31% of the total business generated by multiple-award task order contracts (MACs) of 13 billion dollars (Harris).

However, GSA has recently come under intense scrutiny from the Small Business Administration. Vendors of small, disadvantaged businesses who want to do business with the Federal Government through the GSA Federal Supply Schedules are finding it increasingly difficult to gain consideration for inclusion on these schedules. It can take “one year or longer” for some information technology oriented businesses to receive a GSA schedule contract ([www.fbbs-gsa.com](http://www.fbbs-gsa.com)). DRMO is the sole DoD agency for disposal of excess or surplus Government property; there are currently no other legal methods of demilitarization and disposal. The most egregious aspect of DRMO’s operations, however, is the notable fact that revenue generated from the turn-in and disposal of Government property does not return to the budget of the agency generating the disposal requirement (the “turn-in” agency). Instead, the revenue is returned to a general fund in the Treasury Department’s coffers.

The GSA website has made extensive inroads into the electronic storefront arena. Though operational, functional, and successful at matching basic products and basic needs, GSA’s website should be addressed for what it does not do (with regard to the OMC and commercial systems).

#### **4. Potential Markets**

When assessing the potential marketplace for the OMC, four distinct platforms become evident:

- To whom should the system be focused?
- How should the system strategy be marketed?
- Where should the marketing “happen”?
- What timelines should be followed?

The primary focus of the OMC has been determined to evolve around a United States Federal contracting base, replete with all statutory and regulatory guidance and subsequent compliance promulgated from and in support of the Congress. To that end, the OMC system can be applied across a varied but quite similar, if not parallel, arrangement of procurement structures, specifically:

Department of the Interior \*  
Department of Defense (DoD)  
    Department of the Navy  
        Marine Corps Materiel Command  
    Department of the Army  
    Department of the Air Force  
Department of Transportation  
Department of Agriculture  
Department of Education  
Department of Labor  
Department of Justice  
Department of Health and Human Services  
Department of Energy  
Department of State  
Department of Commerce  
Department of Homeland Security  
Department of Housing and Urban Development  
Department of Treasury  
Department of Veteran Affairs ((<http://www.whitehouse.gov/government>))

Moreover, just as the Federal Government has initiated numerous technological ventures (DARPA net, precursor to the Internet; EDI within governmental forums and forms; and e-filing of income taxes) and inspired “followership” by the individual state Governments, the same dovetailing can be applied with the OMC. For example, “the recently enacted E-Government Act will let states piggyback on a federal procurement schedule to purchase IT wares at cheaper bulk rates” ([www.informationweek.com](http://www.informationweek.com)). And,

considering the ubiquitous nature of both the “personal computer” and the Internet, both state and local governments can realize immediate marginalization of procurement costs with the use of OMC. In short, once state and local governments realize the powerful applications of OMC, as “late adopters,” they will most likely seek implementation of the system.

Going one step further, to fully capitalize on the true ubiquity of the PC/Internet combination, OMC administrators and marketers can (and should) trumpet the relative successes of the proven platform to international governments and, as a quasi-exit strategy, solicit business-to-business partnerships with commercial entities.

## **B. STRATEGIC ANALYSIS**

### **1. Stakeholder Analysis**

Stakeholder analysis involves identifying and prioritizing key stakeholders, assessing their needs and integrating this knowledge to help shape the strategic direction of an organization (Harrison, p. 11). Stakeholders vary in their beliefs, positions, convictions, and power. All of these factors must be considered, both independently and collectively, to abet development and implementation of an effective, targeted marketing strategy. An abbreviated list of stakeholders is as follows:

<b>Major Stakeholders</b>	<b>Minor Stakeholders</b>
Naval Supply Systems Command	DCMA
ASNRDA	U.S. Treasury
SBA	EBIO
DASN(Acq)	Navy Supply Corps School (NSCS)
Congress	DRMO
GAO	Constituents
GSA	Media

Table 2. List of Stakeholders.

The foundation in surveying and synthesizing the critical issue/s of a new electronic procurement system involves assessment and subsequent management of the stakeholders. There are four basic steps in stakeholder management, identifying the stakeholders, determining the stakes, determining how well expectations are met, and adjusting (changing) the strategy (Harrison, p. 43). In addition, by assessing each

stakeholder's potential to threaten or cooperate with the program, the OMC administration may identify stakeholders as supportive, mixed blessing, nonsupportive, or marginal.

---

		STAKEHOLDER'S THREAT TO SYSTEM	
		High	Low
STAKEHOLDER'S POTENTIAL FOR COOPERATION WITH SYSTEM	High	<p><i>COLLABORATE</i> with the Mixed Blessing Stakeholder</p> <ul style="list-style-type: none"> <li>• <i>ASNRDA</i></li> <li>• <i>Federal govt acq community</i></li> <li>• <i>ARO</i></li> </ul>	<p><i>INVOLVE</i> the Supportive Stakeholder</p> <ul style="list-style-type: none"> <li>• <i>SBA</i></li> <li>• <i>eBIO</i></li> <li>• <i>GAO (other inspection orgs)</i></li> <li>• <i>DCMA</i></li> <li>• <i>Defense Contractors</i></li> </ul>
	Low	<p><i>DEFEND</i> against the Nonsupportive Stakeholder</p> <ul style="list-style-type: none"> <li>• <i>Congress</i></li> <li>• <i>GSA</i></li> <li>• <i>Media</i></li> </ul>	<p><i>MONITOR</i> the Marginal Stakeholder</p> <ul style="list-style-type: none"> <li>• <i>End users</i></li> <li>• <i>DRMO</i></li> <li>• <i>citizens/constituents</i></li> </ul>

Figure 1. Stakeholder Threat Matrix.

Furthermore, the two distinct dimensions (potential for threat and potential for cooperation) permit the OMC administration to specify generic strategies for the four different types of stakeholders. For example, the OMC administrative staff should plan to collaborate with a “mixed-blessing stakeholder” like the Small Business Administration (SBA) while directly involving the supportive stakeholder like the DON Deputy Assistant Secretary of the Navy for Acquisition Management. Moreover, the organization would want to actively defend against the nonsupportive stakeholders like most of the Congresspersons and GAO while simply monitoring the marginal stakeholder like GSA and DRMO.

Not all stakeholders should influence the strategic decisions of the OMC administration equally. An analysis of the OMC stakeholders would be fruitless if the OMC administration fails to assess the power each stakeholder possesses. By

determining both the position and power, marketing attention may be more efficiently directed. This is especially important in the early implementation phase where successes and failures impact the momentum of project adoption more severely. For instance, even though joint education commands are supportive, they have relatively low power compared to Congress or GAO (nonsupportive) who have an abundance of power and influence. Therefore, the underlying issue is to identify stakeholders' ability to cooperate with the OMC administration (i.e., assist it in achieving its objectives) or their ability to threaten the OMC administration's performance (i.e., harm it in achieving its objectives). It might be suggested that cooperation and threatening behavior are extremes of one continuum; this is not necessarily the case.

Strategic analysis and management is an iterative process that facilitates the positioning of an organization to capitalize on a competitive advantage in an ever-changing environment (Harrison, p. 151). The principal participants and most pressing evaluative factors must now be integrated to develop a comprehensive, targeted, marketing strategy. The power and position of the stakeholder determines whether a **matching**, **converting**, **minimizing** or **avoiding** strategy should be used to meet the marketing objectives.

A **matching** strategy focuses on the needs of a stakeholder and demonstrates the manner in which a product or service fulfills those requirements. For instance, there is a need for better information management systems within the federal acquisition community. Matching this need, the OMC delivers a better method for conducting market research, tracking vital shipping information, and providing valuable past-performance evaluations of federal contractors. In addition, the OMC provides instantaneous access to this information, allowing more efficient use of limited resources to ensure that federal procurement agencies are meeting congressionally mandated programs, such as Section 803 compliance, and women or minority owned business contract targets.

**Converting** occurs when a weakness or a threat is transformed in to a strength or an opportunity. This may occur in the case of the skeptical funding authorization offices. These funding offices may be initially reluctant to support the OMC because of an

impression that some of their financial control over appropriated funds might be lost. Yet, the truth is that the OMC offers them greater fiscal control and superior management tools. Another conversion opportunity exists with respect to skeptical government acquisition employees. What is initially seen as a serious threat, lost jobs within the acquisition workforce, can be turned into an opportunity to reposition these professionals into more critical procurement positions.

During the last decade of the 20<sup>th</sup> century, the DoD acquisition workforce was sliced from over 400,000 personnel to its current level at just over 230,000. And, while the value of procurement actions decreased, the number of actions actually increased by 1.6 million actions (13.2M to 14.8M, a 12% increase). More importantly, the number of contracting actions on contracts valued over \$100,000 (require greatest amount of work) actually grew by almost 30% (from 98,000 to 126,000). As the numbers indicate, the workload has increased significantly while the size of the workforce has decreased by over 40%. As a result, many of the overworked professionals are actually *looking forward* to retirement, especially when they review other factors permeating their employment environment (Lieberman, p. 54). Integrating automated procurement programs can save the Government large amounts of money, despite a decline in the number of acquisition professionals.

A **minimizing** strategy attempts to mitigate the effects of true, system weaknesses. For instance, noted weaknesses of the OMC include the lack of marketing expertise and absence of a training and support staff. However, by hiring a marketing consultant and by pursuing the large and capable pool of business students at the Naval Postgraduate School (NPS), the effects of weaknesses can be greatly mitigated to acceptable levels. Further, as students from NPS transition to the active acquisition world, they are the contracting officers, and ultimately, the policy decision makers. Leveraging this asset, which may take a long period of time, can pay great rewards for system success.

**Avoiding** may be used to avert direct confrontation with powerful stakeholders that represent a threat to the system. It is not necessarily the best strategy to use when dealing with threatening and powerful interest, but can be effective at times. For

example, an early and direct confrontation with a powerful congressional threat is not advisable for the OMC administration. In fact, this confrontation should be avoided, as best as possible, while areas of support are strengthened. The OMC administration should seek out opportunities for powerful support from the SBA and DASN(Acq). The key point is that powerful skeptics must be avoided early in the process, if possible. The time it takes to get the OMC to market is critical. The longer it takes for the OMC to reach the market, the more opportunity there is for the competition to enter it. A long, bloody trench war with a powerful antagonist will not help the OMC in achieving its marketing objectives.

The major liability in this stage of the program is the lack of support from high-powered policy makers within the Federal Government. This may be evident to potential customers. Therefore, early support is critical to allow the system the chance to reach the broad market.

Closer examination of those stakeholders possessing the greatest amount of power and influence over the success of this venture is necessary. As such, the following lists and describes the most powerful entities and recommends coping strategies.

***a. Assistant Secretary of the Navy for Research, Development and Acquisition***

The mission of Assistant Secretary of the Navy for Research, Development and Acquisition (ASNRDA) is to serve the Nation “by developing, acquiring and supporting technologically superior and affordable systems for Navy, Marine Corps, Joint and Allied Forces. [Their] products allow the operating forces, in support of the Unified Commanders, to train, to deter conflict and, if required, to fight and win,” ([www.hq.navy.mil/RDA](http://www.hq.navy.mil/RDA)). ASNRDA, as the title implies, is responsible for the research and development of value-adding acquisition systems that are cheaper, smarter and faster.

The three main forces that shape the considerations of ASNRDA are politics, funding and technology. Decisions made by ASNRDA are not made in a political vacuum. The Assistant Secretary of the Navy position is a politically appointed one and quasi-political considerations are ever present. The ASNRDA is both a part of,

and subject to, the continuously changing environment of the American political machine. When acquisition reform or contract bundling are the “issues of the day,” the ASNRDA incorporates these concerns in to their strategic vision of providing cheaper, smarter, and faster acquisition systems. Another major consideration for ASNRDA is funding. This consideration is linked to its quasi-political nature, but it is worthy of mentioning separately. The resources of ASNRDA are finite. Political considerations drive the funding and funding drives ASNRDA’s ability to support a program. OMC costs ASNRDA nothing. A system, such as OMC, that meets every stated strategic objective of ASNRDA and uses none of the limited resources of the organization, provides an unmatched opportunity for ASNRDA to surpass the goals of any quasi-political and funding considerations while capitalizing on the third important consideration for the organization – existing and emerging technology.

ASNRDA’s support is a mandatory ingredient before the system can be used in the DON (in this case, NAVSUP is the target market). There is no doubt about the threat potential from ASNRDA; it is very high with respect to a DON customer. ASNRDA’s potential for cooperation, however, is not as clear. The potential for cooperation with the OMC depends on ASNRDA’s perception. As long as ASNRDA does not see this “outside” program as a direct threat to the organization, the potential for cooperation is relatively high. After all, OMC delivers a “technologically superior and [more] affordable solution.” OMC administration should actively engage ASNRDA and open the lines of communication with competing systems to reduce the perception of threat from this revolutionary electronic procurement system.

The Honorable H. Lee Buchanan, Assistant Secretary of the Navy for Research, Development and Acquisition, describes the strategic plan for ASNRDA as a commitment to customers “by providing better equipment and services faster, cheaper and smarter than before,” (ASNRDA Strategic Plan 1999-2004). This is precisely what the OMC offers the acquisition community. This suggests that the opportunity for a strong, lasting strategic partnership within the DON acquisition community is high. The merits of OMC **match** the needs of ASNRDA. This must be emphasized to this powerful and influential participant in DON acquisition circle. ASNRDA wants smarter, better,



and faster acquisition systems; OMC delivers all of this AND OMC does not tie up, in fact it frees up, the financial resources of ASNRDA to explore and develop more robust systems in other areas of the Federal acquisition system.

***b. Naval Supply Systems Command (NAVSUP)***

Naval Supply Systems Command (NAVSUP) is another major stakeholder, in our case the customer. The primary *stated* goal of NAVSUP is fleet logistics support for the United States Navy. An important, perhaps most important, and unstated goal of NAVSUP is survivability as a systems command. Though no civilian or military official at the command wishes their name shared publicly, many expressed that there is a growing sense at NAVSUP that the organization may soon become obsolete. This is important because it sheds some perspective on the manner in which NAVSUP could become threat or an opportunity for the OMC.

Survivability of the organization is really both an interest of NAVSUP and a consideration. Naval Supply Systems Command officials examine every new system or idea with respect to the impact it could have on the longevity of the organization as a whole. The bottom-line is, if OMC can offer NAVSUP an opportunity, even if only in a limited capacity, to survive as a systems command, then OMC will be embraced.

***c. Congress***

The United States Congress is the legislative branch of the Federal Government. It is a bicameral legislature designed to support the system of checks and balances important to the American form of government. The “watchdog”, and theoretically non-partisan investigative arm of Congress, is the General Accounting Office (GAO). The very system of checks and balances intended to balance power can, and does, in some cases, tilt the scales of power quite subjectively. Specifically, in the case of the Federal acquisition system, all Federal laws must pass through a series of steps in both houses of Congress before a finalized bill is sent to the President of the United States for signature.

As a whole, the interests of Congress, in relation to OMC, include funding, promoting competition and fulfilling public policy objectives. With regard to these interests, individual congresspersons will consider OMC's potential impact on their constituency, existing legislation and the findings and recommendations of GAO.

The series of powerful individuals that influence all programs and, specifically, acquisition programs, makes Congress and the legislative process a mixed blessing. There are opportunities to market the merits of the OMC to a "White Knight" or champion of the program. Conversely, the political process is tantamount to a game and objectivity is seldom a necessary trait for anyone involved. If the OMC threatens the interest of anyone in or near this "game," OMC administration must be prepared to defend the system, focusing on the strengths and opportunities the system offers while demonstrating an ability to minimize the negative effects of its weaknesses. An antagonistic or hostile congressperson should be avoided. Avoid any direct confrontations with individuals from this stakeholder group and build support among more supportive individuals and organizations.

As a hedge against these three very powerful stakeholders (ASNRDA, NAVSUP and Congress), other stakeholders must be engaged to counter any existing weakness or potential threat to OMC.

***d. Small Business Administration (SBA)***

The U.S. Small Business Administration administers a section of the Small Business Act commonly referred to as a section 8(a) BD program. Essentially, it is a program designed to assist small disadvantaged businesses to compete in the American economy by facilitating access to the Federal procurement market ([www.sba.gov](http://www.sba.gov)). The SBA is actually a strong candidate for collaboration. One need only look toward President Bush's Small Business Agenda to see the potential power the leading advocate of small businesses possesses. "Small businesses are the heart of the American economy because they drive innovation..." ([www.whitehouse.gov/infocus/smallbusiness](http://www.whitehouse.gov/infocus/smallbusiness)). As a public policy objective, the promotion of opportunities for small businesses is very powerful, possesses bi-partisan support and offers OMC the potential for a powerfully charged political advocate. The Small Business Administration, Congress and the

President are all concerned about the welfare of these entrepreneurs. The Small Business Reauthorization Act of 1997 requires each federal agency to facilitate competition and take all reasonable steps necessary to eliminate barriers to small business participation (OMB -Contract Bundling, p. 2). OMC does exactly this; it eliminates barriers for small businesses to compete for federal contracts.

The OMC has the potential to truly unlock the entry barriers for thousands of small businesses interested in competing for federal procurement opportunities, which would normally pass them by, out of reach. By demonstrating the merits of the system and the direct and substantial benefits to small business owners (most notably access to competition), OMC administration has an ideal opportunity to gain the early support of a powerful and influential Federal Government force. Again, the SBA is interested in improving the access and opportunities for small business awareness and involvement in competing for federal contracts. And, again, OMC delivers expanded federal procurement access for small businesses, breaking down entry barriers and allowing for the fulfillment of the stated public policy objective with respect to small and disadvantaged businesses. The merits of OMC **match** the needs of the SBA. The strengths of OMC as they relate to the fulfillment of stated small business public policy objectives will make the SBA eager to support and promote this program to their stakeholders, such as Congress, the small business community, acquisition reform proponents and other end users.

*e. Deputy Assistant Secretary of the Navy for Acquisition Management DASN(Acq)*

Effective 1 November 2002, the Department of the Navy (DON) Deputy Assistant Secretary of the Navy for Acquisition Management (DASN(Acq)) and the Acquisition & Business Management (ABM) organizations have merged to form the Deputy Assistant Secretary of the Navy for Acquisition Management DASN(Acq). The Strategic Business Management (SBM) office addresses the e-business and oversight policies of the DASN(Acq) ([www.acquisition.navy.mil](http://www.acquisition.navy.mil)). The stated goal of the SBM office is: “to simplify and modernize the Navy acquisition process in the area of contract writing, administration, finance and auditing” ([peoarbs.navy.mil](http://peoarbs.navy.mil)). It is important to emphasize that this organization is seeking ways to improve acquisition processes,

making them more efficient, easier and “faster”. DASN(Acq) is interested in reducing the total ownership costs of acquisition systems, educating and training the acquisition workforce and promoting products and services that add value to the Federal procurement system.

In order to achieve these objectives and interests, DASN(Acq) must consider several factors. There is here, as with ASNRDA, a quasi-political undercurrent that permeates every decision and action of the organization. Additionally, because DASN(Acq) looks for value-adding acquisition systems, the acquisition workforce and the integration and application of existing and emerging technologies are other areas of consideration.

An organization whose goals of adding value, reducing total ownership costs and acquisition transformation in line with the primary, functional strengths of the OMC should be involved early and engaged often. Again, the merits of OMC match the needs and desires of DASN(Acq). The Deputy Assistant Secretary of the Navy for Acquisition Management can be effective as both an active and passive participant. The ability to “actively” participate, by promoting the OMC concept on their website or at their events, seems more obvious than the more subtle, but potentially more beneficial “passive” role that they could play. DASN(Acq) conducts assist visits and seminars in an effort to educate and train the acquisition community. They have already established contacts with segments of the acquisition workforce that the OMC message needs to reach. Specifically, the educators and trainers at DASN(Acq) already know, and are in contact with, those elements of the workforce that are most receptive to new processes designed to make the acquisition process more efficient and faster. This knowledge can then be used to target those “most receptive” elements of the workforce, implementing the system where it will be best received and receiving more comprehensive use and feedback.

***f. Electronic Business Initiatives Office (EBIO)***

The EBIO is primarily responsible for “Championing and facilitating the development and sharing of innovative uses of information technologies to improve and

streamline the procurement process,” ([www.acq.osd.mil](http://www.acq.osd.mil)). This is another politically appointed office that shares the quasi-political and funding considerations seen with ASNRDA and DASN(Acq).

Though the EBIO is responsible for using information technology to improve the Federal acquisition system, it is the primary point of contact for the Standard Procurement System, a marketplace competitor, in some respects, for OMC. Mr. Mark E. Krzysko is the Deputy Director for E-Business at the Defense Procurement E-Business Initiatives Office ([www.acq.osd.mil](http://www.acq.osd.mil)). Mr. Krzysko expressed that another interest of the EBIO is to promote some competition specifically for SPS, the system that his office manages. So, across the spectrum, whether it is EBIO’s desire to capitalize on existing and emerging technology, to improve defense acquisition systems, or its specific desire to promote competition for current acquisition systems, OMC **matches** these needs.

***g. General Accounting Office (GAO)***

“The General Accounting Office is the audit, evaluation, and investigative arm of Congress,” ([www.gao.gov](http://www.gao.gov)). GAO and other similar agencies, such as the Department of Defense Inspector General, audit and examine the use of public funds. The GAO is an advisory arm of Congress, which, in theory, is non-partisan and purely objective in its analysis and reporting. Its goal is to provide Congress with the information necessary to make the Federal Government more efficient. The GAO is a powerful influencer of Congress - in 2002, four out of every five recommendations provided by GAO to Congress were adopted in whole ([www.gao.gov](http://www.gao.gov)). The principal interests of GAO are: the efficiency of the Federal acquisition system, adherence to existing public policy objectives, apolitical oversight of congressionally directed programs and systems, and published reports to the public via Congress on items and areas of interest. The means to these ends, for this apolitical arm of Congress, is the use of Government workplace and Federal acquisition trend analysis. Financial analysis tools and cost-benefit analyses are common methods used to obtain the results. These important considerations are then consolidated and detailed in final reports to congressional committees. Though these reports are delivered to congressional committees, they reach a much broader audience and become matters of public record.

GAO's concerns about an agency's compliance with public policy objectives and adherence to efficient execution of public funds is quickly promulgated throughout the public media. This means that, although GAO is apolitical, it is politically influential. It influences Congress and the public; the determinations and findings of this non-partisan organization are felt throughout the political landscape of our nation.

With the principal strengths of the OMC being an increase in efficiency and cost reduction of acquisition administration, GAO is an ideal candidate for a collaborative approach and involvement. After all, GAO seeks efficiency and OMC delivers this to the world-wide Federal procurement system. In a sense, GAO can be converted into an opportunity for OMC; converted from the skeptical attitude GAO exhibits toward all new acquisition systems, to one of advocacy and support. OMC is exactly what GAO has been demanding from the Federal acquisition system - an application of the best commercial information technology practices (GAO January 03, p. 62)

#### ***h. End Users***

This category of stakeholders refers to a very diverse group and is, essentially, the customer base for the OMC as well. It includes procurement professionals in all Cabinet Departments of the Federal Government such as program managers, contracting officers, procurement analysts, and distribution managers. This category of stakeholder is unique and must be handled differently than other groups. Within this group, in particular, momentum and superlative customer service reign supreme. The momentum of acceptance can be obtained by reaching "technology acceptors" early. These early acceptors can be reached by capitalizing on the connections that offices like the DASN(Acq) and EBIO have already established through their training and education programs within the acquisition community. To increase the appeal and marketability to this wide ranging and diverse group, targeted and focused marketing plans must be tailored for the different segments. Opportunities for detailed examination of the different elements are certainly present and these are discussed in greater detail in section III of this plan.

End users of procurement systems are seeking programs that are more efficient and reliable, which can enable them to better deal with the demands of a growing workload and shrinking workforce. The Open Market Corridor **matches** the needs of this group.

It is obvious from an examination of the stakeholders that when discussing the concept of electronic procurement, exactly who it is that is defining the term(s) matters most. Perspective is important, and as such, a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is useful to facilitate comprehension of the OMC; and it affords OMC administrators the ability to define, apply, assess, integrate, and ultimately enact a strategy to deal with a change to deliver on its full potential.

## **2. Strengths, Weaknesses, Opportunities and Threats (S.W.O.T.) Analysis**

### ***a. Strengths***

- The principal strength of OMC is that it completely and flawlessly addresses every one of the FAR guiding principles. These four features are as follows:
  - Satisfy the customer in cost, quality and timeliness
  - Minimize administrative costs
  - Conduct business with integrity, fairness, and openness
  - Fulfill public policy objectives (FAR 1.102).
- Customer satisfaction, one of the central acquisition performance standards addressed by the FAR, relies heavily on responsiveness, which OMC delivers by increasing efficiency and reducing Procurement Administrative Lead Time (PALT), and the promotion of competition (Engelbeck, p. 17). The OMC enhances the opportunities for all businesses, and especially small disadvantaged businesses, to fully and openly compete for government contracts. This increase in competition not only results in price reductions for the Government (Engelbeck, p. 17) but could ultimately earn OMC administration a powerful ally - the SBA, discussed previously.
- From the Government user perspective, the OMC is faster, easier, and more efficient when compared to current procurement systems. The OMC does not simply automate a current process; it is revolutionary and, because of its dynamic nature, will continue to be revolutionary in its concept for Government procurement. Acquisition reform laws have allowed the development of a system to leverage e-commerce between

Government and business. In comparison to current systems and procedures, which require one to nine months for procurement officials to contract with suppliers, the speed and convenience of the OMC decreases the order time to approximately mere hours or days.

- The OMC allows Government users to sell their property and receive credit towards future purchases. The credit does not expire with the respective fiscal year; therefore, it facilitates better use of customer and Government funds. Under current procedures, which do not give customers this benefit, used property is sent to the DRMO. Money generated from sales helps fund DRMO operations, or is transferred into the Treasury Department's general account as miscellaneous receipts. The original "owners" of the property do not receive any benefits from the sale.
- The OMC provides a method to track order and shipping information. Under the current system, the Government customer has no efficient way of tracking their order. They must call the contracting office, which in turn must call the vendor for status.
- The OMC provides a method to track supplier past performance. The GAO has consistently criticized the Federal Government on the lack of a systematic method to track and share vendor past performance information. In fact, the GAO, in 2003 stated that "...information systems that provide reliable data and are capable of being used as a management tool are lacking; and it (the Department of Defense) has few enterprise wide contracting-related performance metrics," (GAO January 03, p. 62). The benefits of this tracking system do not stop here. The OMC provides instantaneous, quantitative analysis on contracting performance with respect to congressionally mandated programs (women-owned, handicap, minority, etc...). The ability to easily print out reports on these programs in response to inquiries allows for simpler and more efficient managerial control over these important efforts.
- The OMC is proprietary software, exhibiting features that make it highly adaptable and quite inimitable. Its uniqueness gives the OMC a temporary advantage, and when coupled with a successful pilot project with targeted, direct marketing (aimed at the developed customer base), a very strong foothold in the Government e-commerce marketplace could result. However, timing is critical. This temporary strength will not last indefinitely. Competitors and customers are sensing a need for the services offered by the OMC and when the full potential (the expansive customer pool) is realized, competitive systems will attempt to capture segments of this market.
- There is no doubt that by increasing the efficiency of the Government procurement process some personnel in the acquisition workforce may be displaced. At first glance, this may seem like more of a weakness or threat



to the system than a relative strength. Again, perception is critical. In fact, complaints are heard throughout the acquisition community regarding personnel shortages in critical procurement positions,” (GAO January 03, p. 62). By increasing efficiency, the OMC helps alleviate this problem, allowing for displaced personnel to be reassigned within the Federal acquisition system. In short, it can be a win-win for all parties.

- The overarching strategy for the OMC must never come to a halt. For the OMC to reach its full potential, the system must be in tune with changes in the environment and possess the ability to properly react (“proact”) to changes (including anticipated changes). This effort requires a sizable labor pool to be effective. Fortunately, the Graduate School of Business and Public Policy and the Naval Postgraduate School have just such a pool - the student body. Students from the school are constantly seeking opportunities for projects that allow them to apply the business school theories learned in the various classrooms.

***b. Weaknesses***

- The OMC must obtain “buy-in” and acceptance from an anachronistic funding authorization system. The funding offices do not necessarily share the same goals of customer response, efficiency, best value, etc., as the Federal procurement system. Furthermore, funding offices are not as concerned with their respective level of responsiveness to customer needs. This gap, in particular, between the visions of these two segments is one of the most significant hurdles for the OMC to overcome. This problem is heightened as most employees in the funding offices already feel overworked and understaffed. There is the potential that the OMC, because it is new, will just be seen as more work, further strengthening antagonism directed toward the system. In fact, the OMC uses the limited resources of time, money and labor more efficiently than the antiquated systems it replaces. This weakness can be turned into a virtual strength, but the system’s merits must reach, and be understood by, the appropriate audience.
- Another potential weakness of the system is training. The training and qualification requirements for the OMC must be developed, and implementation must be carefully planned. To maximize the use and benefit of the OMC, procurement professionals afforded the opportunity must be trained in its use and have a line of support for troubleshooting “field” problems. Without these required tools, the strongest aspects of the system will likely go untouched or underutilized because of a lack of system utility awareness. However, this training and support does not come without a price. A training-support funding mechanism must be established before field implementation to ensure the easiest transition possible to this revolutionary procurement system.

- Since some of the technology in the OMC is beyond that of the commercial market, it is also new and untested in the Government market. The newness of the technology and process will cause skepticism in Government customers. The system requires a high level of marketing to reach its potential; however, the OMC sponsor, the Naval Postgraduate School, has very little experience in marketing commercial information-technology products. Failure to effectively market the OMC will hinder the customer's ability to leverage a system that will increase their efficiency and give them the ability to sell their used products. Competitors' weaknesses center on long PALT times. However, the procurement process itself is well known. It is the current procurement process weaknesses that have created the opportunity for the OMC.
- While the system may be easy to use, there is still a certification process necessary before customers can use the system. Furthermore, the customer is still under the control of a Contracting Officer. Customers, in general, would prefer the capability to totally control their purchasing experience. Government laws and procedures have a tendency to frustrate customers who do not understand the procurement system. While still being controlled by a Contracting Officer, the OMC offers the customer more control and increased speed when compared to the current system.

*c. Opportunities*

- Government employees are frustrated with the current procurement policies and procedures. This frustration creates the opportunity for the OMC to capitalize on its strengths of efficiency and speed. A quick start-up will help capitalize on the market.
- There is an opportunity to create a system that extends beyond business to Government e-commerce. OMC has the potential to integrate Federal, State, and local Governments, commercial businesses, and international businesses into one e-commerce system, which can expand the total customer base and increase the potential benefits to the Government customers through increased volume and greater bargaining leverage.
- There is an opportunity to gain support from the SBA, DASN(Acq) and EBIO. To capitalize on this opportunity, each Government entity should be invited to participate in early testing of the system. As noted in the Federal Register in January of 2003, "The Office of Federal Procurement Policy (OFPP), within OMB, created an interagency working group to develop a plan for increasing contracting opportunities for small businesses," (Federal Register, 5139). The OMC is capable of breaking down entry barriers for small businesses to compete for Federal contracts and promises to make the acquisition system more efficient. These system benefits offer an opportunity for early and generous support from powerful stakeholders such as the SBA, DASN(Acq), and the EBIO.

*d. Threats*

- A failure to realize and understand the political nature of the Federal acquisition system is the greatest threat to the survival of the OMC.
  - The OMC system creates the potential for a spike in the number of jobs lost in the acquisition community. This potential may cause the acquisition workforce to initially resist the implementation of the system and jeopardize its success. That, coupled with the strong resistance to any new system, creates a significant threat. A strong marketing strategy is needed to promote the advantages of the system to the procurement professionals. The system's ability to give acquisition personnel credit for the purchases of their ordering officers needs to be heavily emphasized.
  - Congress, as a whole, and individual Congresspersons, in particular, may be the single greatest threat...or, ironically, the strongest ally and opportunity for the OMC. Which path is taken depends, to a large extent, on delivered and received perception. If there is a perceived threat to a powerful constituent or lobbyist of a powerful Congressperson, that now becomes a threat to the system. But, by emphasizing the merits and strengths of the OMC to powerful advocates (DASN(Acq), SBA, eBOO, ASNRDA), this threat can be transformed into an opportunity; but this requires early involvement with potential support elements of the acquisition and legislative system.
- GSA, the main competitor, has a large amount of political influence. They are a mandatory source listed in the Federal Acquisition Regulation (8.001). There is the distinct possibility that GSA can get the OMC program eliminated. Early congressional support is needed to counter the anticipated GSA opposition. Briefing Congress as soon as test data is available is a potential strategy.
- Some procurement professionals are philosophically opposed to the concept. Buy-in at top levels of the Government Acquisition System is absolutely necessary. Getting a major sponsor in a critical leadership and policy making position, such as the Undersecretary of Defense, Acquisition, Logistics, and Technology, will help prevent these professionals from limiting the system's capabilities.

### 3. S.W.O.T. Matrix

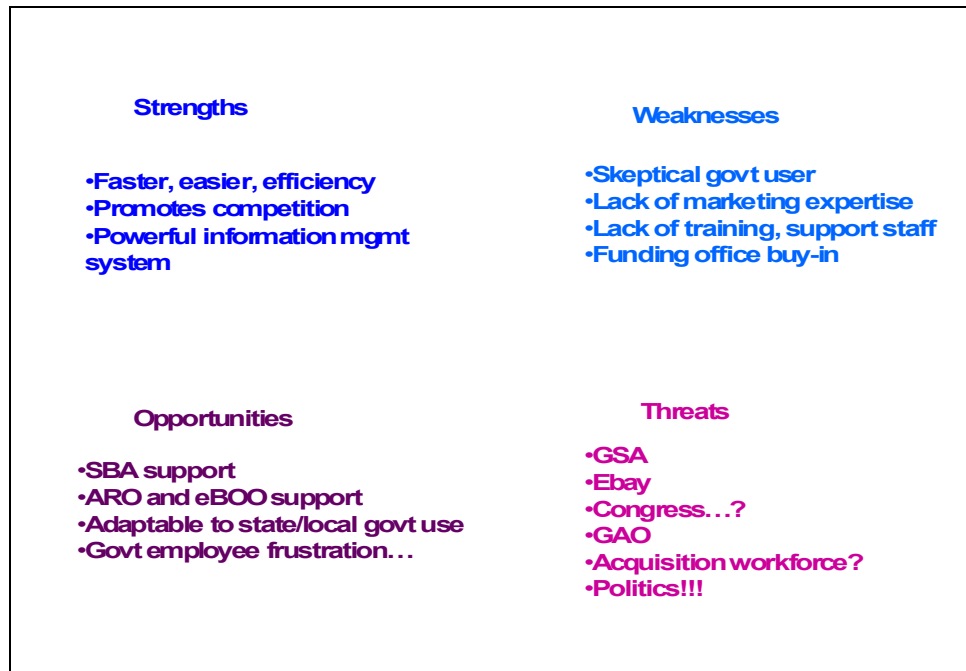


Figure 2. Strengths, Weaknesses, Opportunities and Threats in the SWOT Matrix.

### C. TARGET MARKET

Because of the revolutionary nature of the product, potential customers exist in almost every area of the business landscape. However, initial marketing efforts must focus on four general target market areas: Federal, State, commercial, and international procurement agencies.

Within the Federal Government, the Department of Defense (DOD), and, more specifically, the Department of the Navy (DON), has been identified as a prime candidate for possible selection of the OMC. Within the Department of the Navy, Naval Supply Systems Command (NAVSUP) has been further identified as the organization exhibiting the greatest influence over DON procurement policies and programs. NAVSUP is responsible for both contract award and contract maintenance. Consequently, NAVSUP is the primary target market, with the added expectation of supplementary contract awards at the intermediate contracting level, the Fleet Industrial Supply Centers.

## 1. Demographic Characteristics

The demographic characteristic of NAVSUP is an interesting mix of uniformed naval personnel and civilian general schedule (GS) employees. The men and women are resident procurement specialists within DON. Although not a likely end-user of the OMC (i.e., NAVSUP, as a contract administration body, will not likely use the system to purchase products), senior active-duty NAVSUP administrators have significant operational/field experience and, therefore, could have an empathetic analysis of the potential product benefits. Most of them have been assigned to at least two seagoing billets, as well as an overseas shore assignment. They have all endured the pain of excessive PALT, misdirected parts, and government-exploiting contractors. Moreover, these senior officers are acutely aware of the omniscient scepter of the budget knife and, in a more contemporary setting, the need for quantitative “transformation” (as directed by Secretary of Defense, Donald Rumsfeld).

The OMC is the venue for successfully dealing with shrinking budgets as well as immediate quantitative transformation. But it is the senior personnel at NAVSUP who must ultimately decide if OMC is a viable system for tomorrow’s Navy.

Common demographic characteristics of the target group include:

<b><u>Neutral Factors</u></b>	<b><u>Positive Factors</u></b>	<b><u>Negative Factors</u></b>
Senior officer (O-5 and above)	Operational experience	Technological laggard
Male and female	Fiscally oriented	Socialized
	Quasi-political	Quasi-political
	Conservative	Three-yr assignment

### **Values:**

- Dependability
- ROI
- Attention

The *attitudes, interests and opinions* of these personnel are varied. In general, however, all are concerned with obtaining quality products and services for forward deployed and other operational personnel. The active duty contingent, having significant field experience, fully understands the critical need for a procurement system that is fully functional and truly dependable. They also understand the need for budgetary restraint in

an ever-challenging fiscal arena. Consequently, the minimal investment required to fully integrate the OMC is a superlative focus point. Likewise, the system's potential return on investment (ROI) is likely to affect a positive opinion from the civilian and military financial analysts.

A secondary interest that is common at NAVSUP is one of career progression and political networking. By crafting and applying a market plan that exploits these fundamental attitudes as a focal baseline, the OMC is afforded an honest assessment by a staff that is known for a somewhat socialized/institutionalized thought and contract-award process ("If it 'ain't' broke, don't fix it"). However, this line of reasoning has led to an atmosphere laden with technological laggards. To successfully counter this potentially powerful and negative contingent, OMC should focus some of the efforts directly to the interns at NAVSUP. Interns are typically male and female junior officers (lieutenant and below) who have minimal operational experience, but, as recently graduated/educated officers, they possess a solid understanding of emerging technologies and the far-reaching implications of subsequent applications. The intern's mission at NAVSUP is two-fold: learn and invigorate. The OMC can capitalize on this mission and garner the interns' enthusiasm, momentum, and innovative minds to gain a foothold within the NAVSUP community.

## **2. Geographic Characteristics**

Dispersed over a wide area of the United States, NAVSUP is actually a myriad of commands, bases, partnerships, and logistics networks. Fleet Industrial Supply Centers, for example, are located throughout the world, specifically:

- |                         |                           |
|-------------------------|---------------------------|
| * Jacksonville, Florida | * Norfolk, Virginia       |
| * Pearl Harbor, Hawaii  | * Puget Sound, Washington |
| * San Diego, California | * Yokosuka, Japan         |

More importantly, the organization is a functional matrix of an exasperating array of products and services. The United States Navy's petroleum, clothing and textile, and ammunition, among other things, are all managed under the Naval Supply Systems Command [see attachment (a) for organizational chart]. The geographic diversity is

actually a marketing strength for OMC. With the use of standard Internet technology, a virtual organization can exist, can reap many synergistic rewards in the area of contract management.

### **3. Psychographic Characteristics**

As discussed, NAVSUP is the central procurement agency for a wide range of products and services within the DON. As “a global enterprise delivering combat capability through logistics to Navy, Marine Corps, Joint and Allied Forces,” the respective consumption characteristics for NAVSUP are massive and quite diversified ([www.navsup.navy.mil](http://www.navsup.navy.mil)). In fact, as the primary logistics resources planner, manager, and superstructure coordinator for the United States Navy and its sea, air, and land-based operating units, NAVSUP represents a phenomenal population set.

As an example, aircraft carriers require consolidated parts lists that number in the millions. Likewise, the Navy’s fleet of nuclear submarines requires a substantial range of products and services not generally associated with the “open market”. Depending on the area of use, the smallest screw or largest valve on a submersible ship or flying aircraft must be manufactured to sometimes excruciating standards and subsequent certifications.

At the other end of the spectrum, many of the materials managed by NAVSUP are simple, commercial-of-the-shelf (COTS) items which require minimal, if any, special ordering, handling, or other uniquely identifying characteristics. Copier and printer paper, for example, are consumed in almost unimaginable quantities by the United States Government; however, the most complex method of managing such a ubiquitous stock is a general economy-of-scale analysis.

It is the complex, diversified, and often urgent requirements of the Armed Forces that drives NAVSUP’s mission. Consequently, despite the expansive number of logistics and operational personnel supported by NAVSUP and other major commands, the *psychographics* [activities, interests, and opinions (AIO’s)] of the target market can be understood by researching relatively few characteristics (Perreault, p. 165). Army personnel in the field; naval personnel assigned to ships; and airmen overseas; this entire

workforce, whether from aircraft carriers or copy machine purchasers, share the same psychographic trait of ensuring and maintaining mission readiness, regardless of scope, complexity, or materials required to complete the mission.

More importantly, **attitudes** and **beliefs** of uniformed and Government civilian personnel often combine to form expectations (Perreault, p. 164). These anticipated outcomes of a newly implemented web-based system are especially important when evaluating the associated AIO's of logistic and operational personnel. Product patrons assess a system not only its individual and synergistic merits, but also on how the product performs "relative to their expectations" (Perreault, p. 164). In short:

$$\textbf{\textit{Satisfaction}} = \textbf{Perception} - \textbf{Expectations}$$

If resultant perceptions exceed expectations, satisfaction is a net positive result. If, on the other hand, expectations are higher than resultant perceptions, a negative satisfaction, or dissatisfaction is the end result. Note the various results are independent of actual product performance. Moreover, perceptions are extremely subjective, as opposed to the more objective metric of performance.

Interestingly, today's Internet-savvy workforce reflects relatively high expectations of online shopping portals. As discussed earlier, Ebay.com, Amazon.com, and others have done well in the online shopping arena. Some of their successes can be tied to the market niches upon which they capitalize. However, their continued successes and increasing market share can best be attributed to capitalizing upon respective customers' desires, expectations, and resultant levels of satisfaction.

Amazon.com, for example, was founded in 1994 primarily as an electronic storefront specializing in book sales. By September 1995, during the early infancy of Internet shopping, the company had annual revenue exceeding one million dollars (Afuah, p. 339). In an extraordinary focus to "put customers first," founder Jeff Bezos introduced emergent yet successful technologies like "single-click shopping," customer reviews, and e-mail order verification. Bezos made a firm commitment to pay particular attention to the customers' expectations and, more importantly, the relative relationship



between perceptions, expectations, and the corresponding satisfaction. By understanding the attitudes, interests, and opinions of the Amazon.com current and potential customer base, Bezos and company capitalized upon the market psychographics. And, though the dynamics of the Internet marketplace can seem daunting, there are a small number of basic, shared consumer characteristics that can be used to direct and guide a marketing strategy.

The OMC faces a similar seemingly daunting, yet rather simple challenge: to accurately assess current and potential customer expectations and perceptions. To do this, OMC marketers must be able to coordinate the research of afore-mentioned demographic characteristics, as well as the basic needs and benefits sought by its targeted customers.

#### **4. Basic Needs and Benefits Sought**

In the Government procurement arena, customers are not looking for the best, brightest, or biggest. Nor do they want the least, last or laggardly products. *Procurement personnel want the right product at the right price* for their customers. But obtaining this “perfect” or “best value” product can only be obtained by examining all potential products available. The best solution is the ability to “see” all these products. Doing so, however, requires access to a tremendous amount of data. This is one of the baseline abilities of the OMC. It is linked into every potential DoD vendor through the Central Contractor Registry/Business Partner Network. By accessing every potential vendor, the contracting officer can “see” an incredible amount of products and the data associated with them. In addition, the ability to rapidly purchase these items is a huge step forward in contracting capability.

The potential benefits are staggering, especially when compared and contrasted with current system procedures. Current PALT figures can range from a week to over a year especially if the contract has not been issued for solicitation. Taking the PALT into consideration, the Government has acquired significant inventory on, quite literally, millions of items. One does not have to know the exact number of millions (of items) to project the potential savings that can and will result in a paltry 5% reduction in inventory.

In addition, this OMC system effectively allows the Government to join the just-in-time (JIT) crusade that struck the manufacturing industry in the 1980s. Aside from significant cost savings, other benefits include:

- Receiving the right product (i.e., no unacceptable substitutions)
- Real-time order tracking; no estimated shipping date relayed in weeks.
- Total operational integration
- Product availability
- Quantity availability
- Contractor conformance (responsive and responsibility)
- Database management
- Reports generation
- Security

Naval Supply Systems Command is a very methodical, strategically oriented organization. The decision made at NAVSUP will ultimately impact the working environment of hundreds of thousands of active-duty personnel. Moreover, these decisions will affect the probability of success of various missions within the Department of the Navy... a significant undertaking of powerful repercussions. Accordingly, the purchasing characteristics must be weighed carefully against several factors. Space considerations do not allow the complete multitude of considerations to be listed here. However, important aspects include:

- Congressional oversight - General Accounting Office, appropriations subcommittees, and other political entities weigh in on various purchasing decisions.
- Legal considerations - The Federal Acquisition Regulations (FAR) provides very strict guidance on what, where, how, and why items can be purchased.
- Longevity - The ROI is always considered, as is product sustainability.
- Socio-economic considerations - How are women and minority owned businesses affected?
- Contractor performance
  - Present and past.
  - Has the contractor been responsible?

- Is the contractor/supplier responsive to the proposal?
- Funds availability - The end-all question: can we afford it?

Summarily, the purchasing characteristics of NAVSUP are cautious, strategic, and somewhat political, even though some purchases are simple. The OMC affords NAVSUP the opportunity to simplify almost *ALL* purchases.

## **5. Transformation**

Transformation. Charles Lindbergh crossed the Atlantic; someone ran the four-minute mile; the Berlin Wall came tumbling down. Some said it couldn't be done. Where are we today?

We don't fly across oceans. We travel to the moon.

The Berlin Wall? Our children will only read about it.

And they will probably read about it on the Internet.

Internet applications are being created with such a phenomenal tenacity that most companies do not know how to use the emerging technology. Unfortunately, companies that don't capitalize on that technology will soon find themselves in the darkest corners of the financial world, unable to compete and losing money by the millions. The United States Government is no exception. The Government must minimize its costs while maximizing the benefits of our limited resources. Consider another point, students at the Naval Postgraduate School acquisition curricula are computer literate when they first enroll. They are representative of the level of knowledge and experience with the Internet among their age group and younger age groups. Unfortunately, the skill of older age groups with the Internet is lacking in comparison. The older work force, while it has learned to use email, has not learned how to access all the data or capabilities available through the Internet. Although this older work force may be comfortable with technology that lags the state of the art by ten years, the younger work force is not.

The OMC is representative of state of the art technology that:

- Marginalizes costs
- Maximizes benefits of resources
- Utilizes current and emerging information technology to literally revolutionize the Government's current yet anachronistic procurement system.

The word “revolutionize” is not used in jest. Remember Lindbergh and the Berlin Wall. Don’t think “why.” Think “*why not?*”

#### **D.     MARKETING MIX**

##### **1.     Product**

The OMC is essentially an advanced data base system that enhances paperless electronic purchasing and supply item disposal. The Clinger-Cohen Act of 1996 mandated the use of electronic commerce/electronic data interchange systems (EC/EDI) to interact with commercial contractors, resulting in faster, easier, best-value procurements for the Federal Government while facilitating efficient disposal of non-excess equipment. OMC is designed to reengineer current antiquated competitive procurement processes and disposal procedures by reducing procurement administrative lead times (PALT) from months to minutes, and retaining all the purchase data to facilitate the later disposal of supply items. However, the OMC is will probably be viewed as merely a part of a myriad type of products, such as the Standard Procurement System (SPS), GSA Advantage, and DRMO’s disposal system.

OMC’s unique procurement subcomponent will enter the current internet-based marketplace during the growth phase of the product life cycle as indicated in Figure 3. Additionally, the disposal subcomponent of OMC presents an opportunity to address the inefficiencies of the current reuse and disposal system operated by DRMO. The auctioning features of the OMC disposal system will allow various government agencies to minimize storage costs on excess material and recoup a portion of the revenue expended to initially purchase the item.

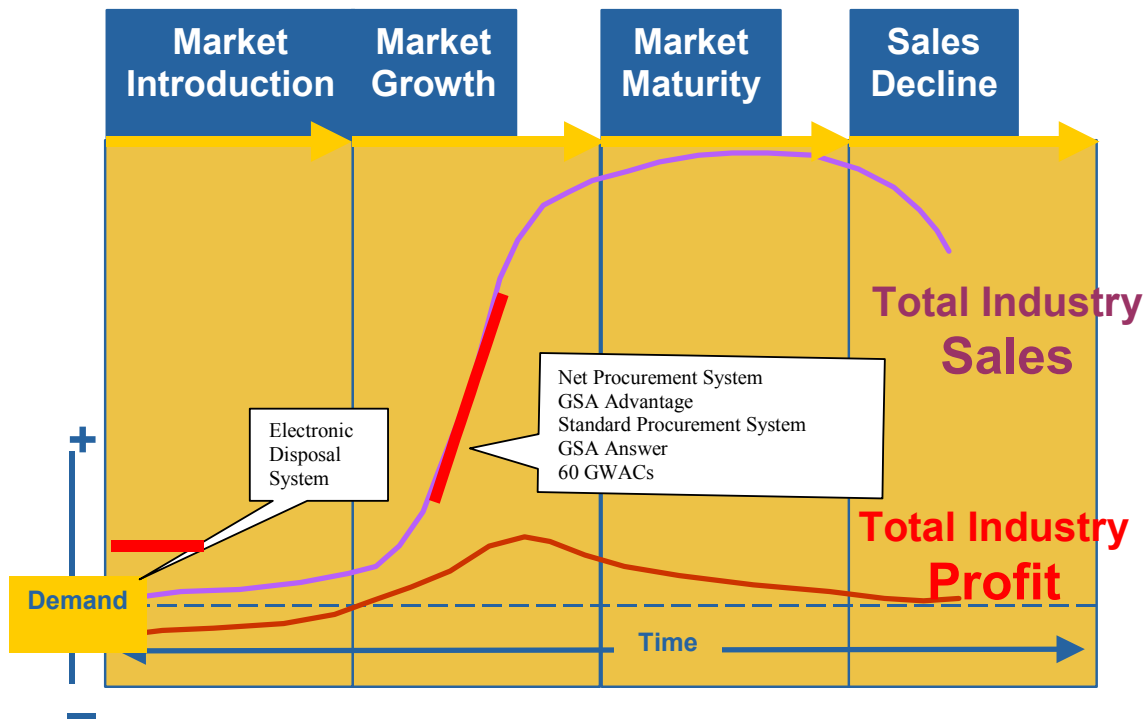


Figure 3. The Growth Phase of the Product Life Cycle (After: Harrison, 2002).

The target market for the OMC is the major procurement agencies and commands delineated earlier in this analysis. The OMC should target the innovators within these major buying commands. Because of their continuous exposure to a vast array of competitive procurement systems and emergent technologies, gatekeepers and administrators at major buying commands must give significant consideration before selecting any one procurement system that has the potential to be implemented fleet-wide or, in some cases, agency-wide. OMC uses existing technology, reducing the risk usually associated with implementing a new system. However, OMC marketers need to stress not only the relative safety of implementing the product, but its superlative uniqueness as well. OMC provides a cradle-to-grave procurement concept that will catch the attention of innovators and those that are simply frustrated with the current system.

## 2. Pricing

OMC is a system that will initially cost the government zero, with the exception of the cost associated with generation of its supporting contract. The prime contractor has assumed 100% of the risk for the development of the OMC. A 2% transaction fee for

task and delivery orders generated through the system covers expenditures for managing and maintaining the system. Other current electronic systems charge much more. For example, GSA charges fees of 4% to as high as 15% for information technology solutions.

By targeting an amount of one-half the GSA base rate, the OMC is forcing itself to be incredibly efficient. This is a challenge that the OMC will have to monitor regularly. However, an advantage to the structure of the pricing mechanism, whereby the prime contractor receives fees only if its system is used, the contractor is motivated to work efficiently as well. The normal funding method for this type of software development within the Federal Government is to fund each successive modification. This is costly and has proven, through the demise of the Army A-Mart and the Navy One-Touch purchasing systems, to be an ineffective model.

### **3. Distribution and Channeling**

The OMC contains features attractive to personnel who procure products and services and dispose of Government property on a consistent basis. The early life cycle of this system is best referred to as an unsought good. The prospective market-exposure policy should use a selective distribution method that aggressively exploits market-niche and available technology, such as the Internet and the Navy and Marine Corps Intranet. The OMC marketing manager should satisfy the customers' requirements as soon as possible, maximizing customer satisfaction, increasing system credibility, and saturating the market as quickly as possible. Figure 4 identifies the gatekeepers or middlemen who are responsible for adopting and integrating OMC into the existing procurement superstructure.



Figure 4. Responsible Gatekeepers and Middlemen.

#### 4. Promotion

There are three different types of promotion, personal selling, mass selling and publicity (Perreault, p. 393). Personal selling, or direct marketing, centers on focused communication between merchants and potential customers. This type of marketing facilitates immediate feedback which may assist OMC marketers in adapting and changing their prescribed marketing procedures. Though relatively expensive because of required travel and presentation tools, this method of marketing is best suited for emergent technology (Perreault, p. 393).

Accordingly, direct marketing is the most effective method of promoting OMC to the respective target markets, including major commands (MACOMs) within the Department of Defense, state procurement agencies, and, if possible, within the commercial marketplace. NAVSUP is the major procurement command for the Department of the Navy. Considering the quasi-political nature of the civil-military leadership at NAVSUP, OMC marketers should stress the high return on investment, relatively risk-free adoption, and ubiquitous nature of the system platform. End users throughout the world can gain access to a simple military procurement system via a computer, modem, and system password. Such simplicity and superlative utility represent a resultant transformation of current procurement systems and alignment with current SECNAV initiatives.

Within the MACOMS, the specific targets of the marketing campaign include the decision maker and procurement advisors. For acquisition systems, the decision maker for a MACOM is the Head of the Contracting Agency (HCA). The primary staff officer and expert in contracting is the Principal Agent Responsible for Contracting (PARC). The HCA is typically a flag officer and the PARC is an "O6." The HCA may not be an acquisition professional and is often from the warfighter community. Conversely, the PARC is always an acquisition professional. These two individuals have the power to either implement or prevent the adoption and integration of the OMC within their respective commands and, ultimately, within their respective department or agency. Therefore, since the target market is one individual, or a small group of individuals – the HCA, PARC and their principal advisors – personal contact is the key to their support. Direct marketing/personal selling is therefore the method of choice to maximize marketing resource return on investment.

Publicity, on the other hand, is an effective secondary marketing method. Essentially a free venue for explaining the benefits of OMC, publicity attempts to attract attention to the platform (Perreault, p. 393). Examples of publicity include public-service announcements, defense-related articles, and Congressional reports. A publicity campaign that utilizes trade magazines, news media, and existing Government websites could prove very useful in informing and educating procurement professionals on the



merits of OMC. To maximize the potential publicity, OMC marketers and administrators should endeavor to secure the adamant support of at least one Cabinet-level department.

NAVSUP will not positively respond to the promotion methods of mass selling, advertising or sales promotion. Mass selling and advertising may be an effective method to target the actual users of the OMC, such as the contracting officers or the actual units ordering supplies and services. End users and contracting officers do not have the ability to choose the contracting system they will use for procurement actions; however, collectively, they have the potential to exact enormous influence on proposed changes in the existing procurement process and its related systems. Because of Congressionally-ordered competition mandates and generic contract terms, sales promotion is not an appropriate method to promote the OMC.

*a. Product Positioning*

The two distinguishing characteristics of the OMC are the ease of use and speed of the overall process. These characteristics are represented by utility and PALT. Utility is defined as:

- The level of difficulty of the system.
- The amount of information the system provides to users to make effective decisions.
- The amount of users that can access and use the system.

PALT is the time from the moment a contracting officer receives a funded requirement to the time of award. The desired position on illustration below is the upper left quadrant. Figure 5 illustrates the relative positioning of OMC. Reduced PALT is reflected on the PALT continuum, or x-axis. Utility, or value-added characteristics, are reflected on the utility continuum, or y-axis. Significantly reduced PALT and greatly reduced utility are characteristics of systems represented graphically in the upper left quadrant of Figure 5. Current procurement systems merely automate an antiquated purchasing process. OMC actually reengineers the process by maximizing marketplace competitiveness and facilitate true application of contractor past performance information. SPS, for example, simply automates forms, practices, and procedures

already in use at various Government procurement agencies. No consideration is given to the relative value added of anachronistic forms and procedures, thereby reflecting a less-than-desirable utility factor.

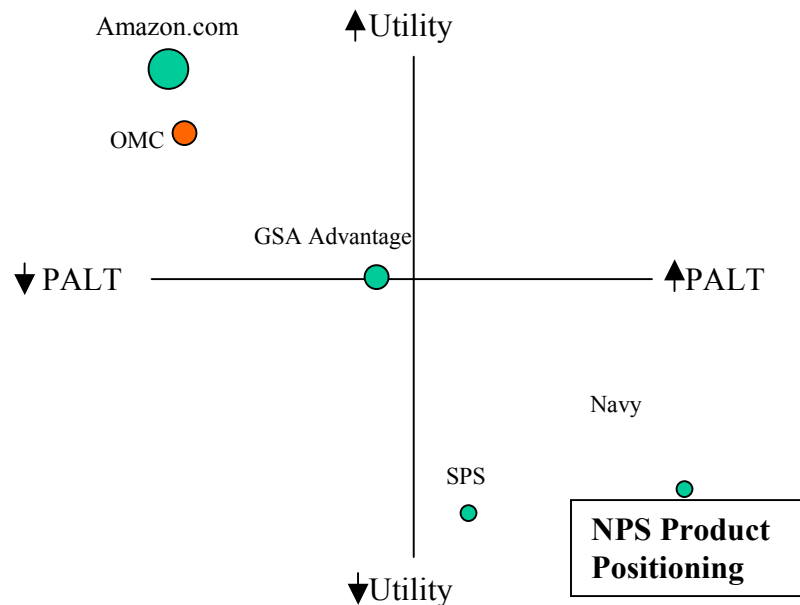


Figure 5. Product Positioning (After: Perreault, 2002).

Two competing internet-based procurement systems available to Federal acquisition personnel are GSA Advantage and Standard Procurement System. GSA Advantage is a viable EDI procurement platform. However, the utility of the GSA Advantage system is relatively low and the lead time is higher than the expected lead time of OMC. A primary reason for the increased PALT and lower utility is borne from the need to continuously write and modify new and existing contracts. OMC affords the ability to conduct market research quickly and substantially reduce the need for new solicitations. Furthermore, when compared to GSA Advantage, OMC integrates significantly more contractors and vendors while maintaining a vast database of past performance information. A search engine and product filters narrow product research and exploration processes, virtually eliminating the need for multiple full-time equivalent (FTE) procurement specialists. Additionally, OMC allows users outside the acquisition community to directly place an order in the system. SPS, on the other hand, is merely the

automation of the current manual contracting system. It is the Government employee's frustration with this SPS's high PALT and low utility that creates the opportunity for the OMC.

***b. Communication Mix***

With any marketing campaign the following considerations must be addressed:

- Who is the target market?
- Where is the target market on the AIDA model?
- What adopter type best describes the target market?
- What is a concise targeted message for the market?
- What communication-mix elements best convey the message to the target market?
- How will each chosen communication-mix element be used?

(1) Who Is the Target Market? The first target market is the major commands, or MACOMS. NAVSUP is used as an example of a MACOCM because it is the organization exhibiting the greatest influence over DON procurement policies and programs. Once OMC has been successfully implemented by NAVSUP, other intra-service, intermediate contracting entities will be targeted.

(2) Where Is the Target Market on the AIDA Model? AIDA, which is an acronym for Attention, Interest, Desire, and Action, is a practical marketing approach that reflects the relationship between promotion objectives and the adoption process of the target audience. Capturing attention is necessary to make NAVSUP aware of the company's offering. Holding the interest of NAVSUP gives the communication a chance to build interest in OMC. Arousing desire and interest in OMC affects the evaluation process-perhaps building a preference. Obtaining action includes gaining trial, which may lead to a purchase decision (Perreault, p. 399). OMC is a relatively new product for the civilian world and a completely new product for the DoD. The early promotion objectives are to increase NAVSUP's awareness of OMC: what the system is and how it can improve the procurement process. Upon successful conveyance of the objectives, NAVSUP will garner comprehension, conviction, desire, and ultimately action: the adoption and implementation of OMC.

(3) What Adopter Type Best Describes The Target Market?

Various customer segments of the market behave differently; therefore, to be successful, a marketing campaign must understand how promotion objectives affect the way people behave. Innovators, early adopters, early majority, late majority, and nonadopters are five different adoption types used to categorize and describe these individual behaviors within a market (Perreault, p. 411). NAVSUP most closely resembles the characteristics of an innovator, primarily because the OMC system has yet to be adopted by any organizations within the DoD. As the parent command of all the Fleet Industrial Supply Centers, NAVSUP is a logical choice on which to focus marketing objectives, thereby facilitating a leveraged transmittal of information to end users and procurement specialist alike.

(4) What Is a Concise Targeted Message for the Market?

OMC is an internet-based procurement system, faster and easier to use than the current Federal procurement systems; which marginalizes costs while increasing efficiency and effectiveness with superlative ROI, minimal risk, and nominal investment.

(5) What Communication-Mix Elements Best Convey the

Message to the Target Market? With OMC in the market growth stage of the product life cycle, promotion emphasis must focus on stimulating OMC-specific demand (Perreault, p. 414). For, although OMC has many superlative amenities, prospective adopters must first be made aware of the product. Once awareness has occurred, true informative marketing can be accomplished. And, in all likelihood, OMC will sell itself. Consequently, face-to-face communication is paramount. OMC marketers must be able to convey the many nuances associated with the system. And, likewise, prospective adopters and contractors must have the opportunity to express concerns, ideas, suggestions, or general questions regarding the product. An anticipated timeline for roughly 50% adoption by all of DoD is five years.

(6) How Will Each Chosen Communication-Mix Element Be

Used? During the early stages of the marketing campaign, a focused personal selling campaign will be implemented. As Government-wide awareness of OMC increases, a secondary publicity campaign will be initiated. After the various fleet centers have

adopted OMC, other organizations within DoD may be targeted via personal selling and the trumpeting of NAVSUP's transformational success to its subordinate procurement activities.

***c.      Publicity Objectives***

The goal of publicity is to induce the target organizations to adopt the OMC. Raising awareness is the precursor to adoption. Comprehension follows adoption. Personnel at the fleet concentration centers and other procurement facilities will gain a greater understanding of OMC's capabilities and the value it adds to the NAVSUP organization. This greater understanding or comprehension facilitates a conviction and subsequent collaboration in the marketing campaign, adding a synergistic momentum to the publicity campaign.

***d.      Publicity Campaign***

The publicity campaign is comprised of articles written in professional acquisition magazines, trade and industry periodicals, and Government publications. Other venues include professional trade conferences, Defense Acquisition University, and Federal acquisition reform offices. Finally, the success of OMC depends heavily upon the real and perceived increase in value by the end users; once logisticians and supply officers realize the superlative nature of OMC and the phenomenal increase in operational support, demand for OMC will increase exponentially.

***e.      Personal-Selling Objective***

The primary objective of the personal-selling campaign is to establish and maintain a mutually beneficial relationship between OMC and the prospective adopters, specifically NAVSUP. To facilitate this objective, OMC marketers must strive to inform, educate and continuously trumpet every unique aspect of this superlative procurement system.

### **III. CONCLUSIONS AND RECOMMENDATIONS**

#### **A. OVERVIEW**

The focus of this research was to perform a strategic marketing analysis for the Open Market Corridor (OMC) in order to identify key stakeholders and areas of system strength and weakness. In order to do this, an examination of some critical areas of concern within the Federal acquisition workforce was conducted. The commercial and government e-commerce markets were analyzed with specific discussions of key competitive systems. Critical stakeholders of the OMC were presented and examined. A Strengths, Weaknesses, Opportunities, and Threats (S.W.O.T.) analysis was conducted. Specific coping strategies for the key stakeholders were presented. Finally, a focused marketing plan for the Naval Supply Systems Command was presented.

#### **B. CONCLUSIONS**

This research presents the conclusions by addressing the key elements of this study:

- The Federal acquisition workforce is changing and there is a growing sense that the Federal Acquisition System must become smarter, better, and faster to keep pace with a shrinking workforce and the rapid technological leaps being realized today.
- Market research is an essentiality in ensuring the success of the OMC. By researching and further identifying the aggregate factors affecting the IT arena, as well as the customers most likely affected by that arena, OMC administrators can both capitalize on emerging technologies and continue satisfying an even larger percentage of the electronic marketplace. Ergo, market research for the OMC should focus on potential “gatekeepers,” those personnel with the political, financial, and technological muscle to implement the system; current electronic storefronts such as commercial and Government-run websites; and contemporary or emergent Internet technology.
- Commercially successful companies all capitalized on the highly demanding niche of providing a relatively simple virtual marketplace. It may not be long before commercial e-tailers such as E-Bay or Amazon attempt to enter the potentially fruitful Government procurement market. If these commercially successful “marketplace marketers” attempt to penetrate the Federal Government archetype, they will face considerable political and cultural resistance from OMC’s other formidable competition, the General Services Administration (GSA).

- The power and position of the stakeholder determines whether a matching, converting, minimizing or avoiding strategy should be used to meet the marketing objectives. Closer examination of those stakeholders possessing the greatest amount of power and influence over the success of this venture was conducted. As such, a list describing the most powerful entities and recommended coping strategies was developed.
- The interests of many of the most powerful and influential stakeholders for the OMC match, exactly, the primary strengths and merits of the system. Naval Supply Systems Command is interested in providing logistics support to United States Navy commands worldwide; OMC enhances the capability of this organization to accomplish this task. The Assistant Secretary of the Navy for Research, Development, and Acquisition seeks to add value to the acquisition system by promoting faster, cheaper, and smarter acquisition tools; OMC is just such a tool, delivering a more efficient acquisition system without any financial risk to ASNRDA.

Congress and the Small Business Administration are interested in the promotion of competition and, specifically, as it relates to breaking down entry barriers for small and disadvantaged businesses to compete for Federal contracts; again, OMC specifically delivers this capability. The Deputy Assistant Secretary of the Navy for Acquisition Management and the Defense Procurement E-Business Initiatives Office seek reforms in defense-related acquisition systems, capitalizing on Internet and e-business solutions; OMC delivers a more efficient, integrated, e-business solution that promises to reduce the total ownership costs as compared to competitive government e-commerce systems while adding value to both the end user and the customer.

### **C. RECOMMENDATIONS**

The OMC System reflects the superlative application of current web technology as well as the highly integrative nature of traditional brick-and-mortar sales and distribution channels. However, superlative value does not necessarily guarantee an audience of listeners, proponents, and/or purchasers of the system. And, despite the tremendous synergies potentially resultant in the implementation of a system as inclusive OMC, system managers should proceed with extreme caution and diligence when marketing the system to the United States Government, or any component thereof.

Politics, powerful lobbying, and an anachronistic procurement system are worthy adversaries that must be considered before, during, and after the initial marketing and “sales” pitch.

Consequently, each of the various stakeholders should be assessed on their respective potential for cooperativeness and/or hindrance. Special attention should be addressed to not only the stakeholders themselves, but also the manner in which the system is marketed to each respective stakeholder. Indeed, the commercial marketplace has seen its share of marketing mismanagements. Beta cassette tapes and the associated players, though more durable and of higher viewing quality than the now-ubiquitous VHS-type tapes and players, never overcame the initial marketing surge orchestrated by the VHS cassette industry. Apple Computer initially refused to license its software and technology, essentially gifting the personal-computer marketplace to International Business Machines (IBM) and its worldwide network of information technology manufacturers. Moreover, unlike in the commercial marketplace, the success of OMC may not necessarily depend on “pure” market forces. If such missteps can build or topple industry giants in the competitive, yet relatively simple free market enterprise system, imagine what can happen once political machinations and industrial lobbyists begin to throw their fiduciary and highly subjective support into the arena.

Accordingly, the following are eight simple but extremely important recommendations:

- Rate each stakeholder on four distinct continuums:
  - Potential for cooperation;
  - Likelihood of assistance;
  - Potential for threat;
  - Likelihood of threat.
- Rate the integrative nature of each stakeholder.
- Based on the results of (1) and (2) above, decide on a basic marketing strategy.
- Gain the support of at least one cabinet-level ally.
- Leverage stakeholder support and integrative nature against politics and lobbyists.



- Research and obtain true quantitative data for cost/savings analysis and comparison.
- Loudly trumpet system differences.
- Seize and capitalize on instants of momentum.

#### **D. SUGGESTED AREAS FOR FURTHER RESEARCH**

Suggested topics for further study include:

- **Conduct Focused Marketing Plans for Identified Customers**

What key customers should be studied and analyzed next? Develop focused marketing plans for other Department of Defense Major Commands. How would the template marketing plan developed for Naval Supply Systems Command differ?

- **Study the Lessons Learned From the Use and Evolution of the Standard Procurement System**

Does SPS add value to the Federal acquisition system? Is SPS user friendly? Are procurement personnel adequately trained to use SPS? Are acquisition professionals satisfied with improvements and changes to SPS? What features, desired by the acquisition workforce, are lacking in SPS?

- **Study the Post-Implementation Results of the Open Market Corridor**

Did the OMC improve efficiency and effectiveness of the acquisition system at the organization? Were the customers, including the contractors, satisfied with the system's performance? In what areas did they find the system to be exceptional or less-than-exceptional? What additional features or capabilities would the customers like to see implemented now that they have seen the system in use? Did customers find the level of training and support adequate?

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